



COMDTNOTE 7100

16 MAR 06

COMMANDANT NOTICE 7100

CANCELLED: 15 MAR 07

Sub: CH-2 TO FINANCIAL RESOURCE MANAGEMENT MANUAL (FRMM),
COMDTINST M7100.3C

Ref: (a) Financial Resource Management Manual (FRMM), COMDTINST M7100.3C

1. PURPOSE. This Notice promulgates Change 2 to reference (a) and provides comprehensive guidance to accumulate Construction In Progress (CIP) costs for new PP&E capital asset projects (both real and personal property).
2. ACTION. Area and district commanders, commanders of maintenance and logistics commands, commanding officers of headquarters units, assistant commandants for directorates, Judge Advocate General, and special staff offices at Headquarters shall ensure compliance with the provisions of this Notice. Internet release authorized.
3. DIRECTIVE AFFECTED. None.
4. ENVIRONMENTAL ASPECT AND IMPACT CONSIDERATIONS. Environmental considerations were examined in the development of this Notice and have been determined to be not applicable.
5. SUMMARY OF CHANGES. All expenditures incurred for new construction projects shall be classified into two major categories: DIRECT and INDIRECT costs. These costs shall be properly recorded in the CG Core Accounting System (CAS). The new policy will be published as Chapter 9 in CH-2 of the FRMM. Any replication in FRMM Section 7.A that may be found in Chapter 9 will be addressed in the next revision of the Financial Resource Management Manual, COMDTINST M7100.3D, which is due to be published in May 2006. The PP&E policy is effective for all new AC&I capital asset projects initiated on or after October 1, 2005.

DISTRIBUTION-SDL No. 144

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NON-STANDARD DISTRIBUTION:

6. PROCEDURES. Remove and insert the following pages:

Remove
None

Insert
Chapter 9 CH-2

7. FORMS/REPORTS. None.

R. S. HOROWITZ /s/
Chief Financial Officer

Encl: CH-2 Financial Resource Management Manual (FRMM), COMDTINST M7100.3C

FINANCIAL RESOURCE MANAGEMENT MANUAL

Table of Contents

Chapter 8. Coast Guard Financial and Mixed Systems	
8.F.19 Maintenance.....	8-16
8.F.20 Financial Reporting Requirements	8-16
Encl 8-1 Key Legislation and Regulations	8-18
Encl 8-2 Summary of the RFAM Task Group.....	8-22
 Chapter 9. Plant, Property and Equipment (PP&E)	
9.A Capitalization of Real and Personal Property	9-1
9.B References	9-1
9.C Purpose	9-1
9.D Responsibilities	9-1
9.D.1 Asst Comdt for Planning Resources & Procurement (CG-8)	9-2
9.D.2 Office of Resource Management, Budget Execution Division (CG-831)	9-2
9.D.3 Office of Systems Management (CG-841)	9-2
9.D.4 Office of Internal Controls and Asset Management (CG-842).....	9-2
9.D.5 Office of Procurement Management (CG-85)	9-3
9.D.6 Finance Center (FINCEN)	9-4
9.D.7 Headquarters Program Offices.....	9-5
9.D.7.a Headquarters Program Offices – AC&I Acquisition Project Managers	9-5
9.D.8 Coast Guard Remote Accounting Facilities: YARD & ARSC.....	9-6
9.D.9 MLCs, Districts, FDCCs, CEUs, and Field Units.....	9-8
9.E Plant, Property and Equipment (PP&E)	9-10
9.F Cost Recognition	9-10
9.G Capitalization Standards – Thresholds.....	9-11
9.G.1 Capitalization Standards – Thresholds: Cost Matrix	9-13
9.G.2 Capitalization Standards – Thresholds: Notes	9-19
9.G.3 Capitalization Standards – Improvements	9-22
9.H Costing Methodology.....	9-23
9.H.1 Costing Methodology – Direct Costs.....	9-23
9.H.2 Costing Methodology – Indirect Costs	9-24
9.H.3 Costing Methodology – Indirect Rates and Estimates	9-25
9.H.4 Costing Methodology – Expense Costs	9-25
9.I Project Establishment	9-26
9.J Project Execution	9-30
9.K Execution Reports	9-30
9.L Execution Reviews	9-30
9.M Receipt of Assets	9-31
9.M.1 Receipt of Assets – Full and Complete	9-31
9.M.2 Receipt of Assets – Less than Full and Complete	9-32
9.M.3 Receipt of Assets – Follow-on Costs	9-32
9.M.4 Receipt of Assets – Documentation	9-33
9.N Capitalization of Assets	9-34
9.N.1 Project Management Data Sheet (PMDS)	9-34
9.N.2. Service Life of Assets	9-35

FINANCIAL RESOURCE MANAGEMENT MANUAL

Table of Contents

Chapter 9. Capitalization of Real and Personal Property

9.N.3 Capital and Operating Leases	9-39
9.O Asset Identification	9-42
9.P AC&I Project Closeout.....	9-42
9.Q CIP Policy Review and Update.....	9-44
Glossary	A-1
Acronym List	B-1

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.A Capitalization of Real and Personal Property

To provide policy for the Capitalization of real and personal assets including those assets acquired through purchase or resulting from Construction in Progress (CIP) projects.

Construction in Progress (CIP) consists of the costs of the direct materials, direct labor, direct purchased services, and indirect costs used in producing customized (constructed, fabricated and/or assembled) Personal and/or Real property, whether fabricated by the US Coast Guard (USCG) or by a non-USCG organization under contract, including Military Interdepartmental Procurement Request (MIPR).

Examples of work in progress are: Costs of additions, alterations, improvements, rehabilitations, and replacements of USCG assets. Upon completion, these costs shall be transferred to the proper capital asset account as the acquisition cost of the item.

This policy applies to all capitalizable real and personal property assets (general PP&E) acquired by the United States Coast Guard which require construction, refurbishing, assembly, or similar effort. This policy is effective for all new projects initiated on or after October 1, 2005.

9.B References

1. Statement of Federal Financial Accounting Standards (SFFAS) #4 "Managerial Cost Accounting Concepts and Standards for the Federal Government"
2. Statement of Federal Financial Accounting Standards (SFFAS) #5 "Accounting for Liabilities of the Federal Government"
3. Statement of Federal Financial Accounting Standards (SFFAS) #6 "Accounting for Property, Plant and Equipment"
4. Finance Center Standard Operating Procedure Manual, FINCENSTFINST M7000.1
5. Chief Financial Officers Act of 1990 ("CFO Act").

9.C Purpose

The purpose of this policy is to produce unit valuation in the General Ledger that can be supported and repeated by documentation in the Core Accounting System (CAS) documentation and asset file.

9.D Responsibilities

This section lists the offices and their respective responsibilities for real and personal CIP project accounting.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.D.1 Asst Comdt for Planning Resources & Procurement (CG-8)

Develops, promulgates, and implements Coast Guard financial management policy for real and personal CIP project accounting used by Headquarters Program/Facility Managers, FINCEN, Area and District Commanders, Commanders of MLCs and Field Unit Commanding Officers, and Officers in Charge.

9.D.2 Office of Resource Management, Budget Execution Division (CG- 831)

1. Provides centralized management for AC&I.
2. Provides the initial information to the HQ Offices, FINCEN, and CG-842 that an AC&I project may meet the capitalization threshold.

9.D.3 Office of Systems Management (CG-841)

1. Establishes, designates or designs and certifies all financial systems, including hardware and software for real and personal CIP projects.
2. Ensures that all designed financial systems provide adequate systematic controls.

9.D.4 Office of Internal Controls and Asset Management (CG-842)

1. Provides oversight, analysis, and financial management standards for all real and personal CIP project accounting.
2. Develops, promulgates, and implements policy and procedures for tracking and accounting for real and personal CIP project accounting.
3. Oversees implementation of internal controls for CIP project accounting.
4. At least quarterly, meets with the AC&I fund managers to identify the complete universe of capitalizable projects or assets within the CG.
5. Convenes the CIP project group consisting of the Acquisition Project Manager, Resource Manager, Sponsor Representative, Independent Operational Test & Evaluation Advisor, CG-842 Analyst, FINCEN Representative, and the CG-831, as necessary, to evaluate the set up of capitalizable projects.
6. Monthly, reviews the CIP Analysis Report provided by FINCEN that provides at least the following project information by project number: document information such as description, number and type, dollars expended, accounting line, etc. so that

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.D.4 Office of Internal Controls and Asset Management (CG-842) (Continued)

- project status can be updated.
7. Reviews and approves CIP capitalization project plans at inception to identify cost components, and facilitate subsequent accurate and timely asset capitalization.
 8. Reviews CIP projects on a monthly basis to ensure accuracy and alignment with policy.
 9. Develops and implements CIP project accounting training for HQ and other key personnel involved in the capitalization process.
 10. Requires that all Acquisition/Project Managers (APM) are designated in writing.
 11. Requires consistency between HQ Program Offices in the treatment of costs and the application of overhead.
 12. Provides guidance to AR&SC, ELC/Yard, and HQ Program Offices on development of indirect rates, including composition, basis for application, and variance analysis.
 13. Performs annual review and approval of indirect cost rates.
 14. Develops a high-level Standard Operating Procedure for the creation, monitoring, and close-out of CIP projects.

9.D.5 Office of Procurement Management (CG-85)

1. Provides guidance to CG Contracting Officers (KO) to ensure that KOs understand the reasons why Project and Financial managers need to clearly identify the different types of assets that will be purchased via contracts and/or MIPRs.
2. Provides guidance to CG KOs to ensure that they understand why Project and Financial Managers are requesting the use of separate contract line item numbers (CLIN) with separate accounting information if the contract will procure different types of assets (Aircraft, Vessels, Small Boats, Operating Materials & Supplies, etc.) via the same contract. In other words, require the use of a unique funding source for each type of asset purchased on a single contract.
3. Require that every contract with the CG for the development or delivery of capital assets (over \$50K) have the requirement for a signed acceptance report such as a DD-250 or DHS Form 700-21, Standard Form (SF) 1149 or Optional Form (OF) 347, in order to document the valuation and/or acceptance date of CG assets.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.D.6 Finance Center (FINCEN)

1. Maintains general ledger balances and supporting documentation for valuation of CIP projects, and real and personal property.
2. In conjunction with CG-842 and HQ Program Managers, reviews CIP projects to determine which real and personal CIP projects meet the criteria for capitalization tracking, and enters and monitors capital projects in designated systems.
3. In conjunction with CG-842 and the appropriate APM, reviews the allocation methodology for all indirect costs.
4. Monitors construction and improvement projects to ensure timely capitalization of completed assets occurs.
5. Distributes accurate and timely CIP project accounting reports to APM's on a monthly basis.
6. Retains key documentation supporting the capitalization of CIP assets. "Key capitalization documentation is defined as information that helps CG support the date in service or use, valuation and ownership of its assets. For most large CG assets this information will be provided by: 1) a Contract or Military Interdepartmental Procurement Request (MIPR) between CG and a supplier, 2) a request for payment by the supplier, normally in the form of an invoice or DD-250/DHS 700-21, 3) a receiving report by the CG, normally in the form of an acceptance signature on a DD-250/DHS-700-21, or an acquisition certification for payment by a Contracting Officer or their representative and 4) electronic expenditure information in the CG's accounting system."
7. Assists APM and CG-842 with the periodic review of CIP projects.
8. Assists CG-842 in developing a high-level Standard Operating Procedure (SOP) for the creation, monitoring, and close-out of CIP projects.
9. Creates additional detailed SOP for CIP processes conducted within the FINCEN.
10. Upon receipt of documentation, enters all capitalized property assets into the fixed asset system.
11. Reconciles property records quarterly to general ledger accounts.
12. Provides financial information and reports to HQ Program Offices.
13. Maps AC&I expenditures to projects based on program elements and appropriation data.
14. Review PES reports on a weekly basis to determine if all expenditures are reflected in the appropriate projects. The documentation for these expenditures is gathered and reviewed.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.D.7

Headquarters Program Offices

Pertinent program offices:

- Deepwater (G-D)
- Acquisitions (G-A)
- Engineering and Logistics Directorate (CG-4)
- Office of C2 and Navigations Systems Support (CG-64)
- Assistant Commandant for Operations (G-R)
- Assistant Commandant for Human Resources (CG-1)

1. Provides Acquisition Project Manager (APM) name and organizational information to CG-842 for projects that may meet the capitalization threshold.
2. Ensures that APM's timely, completely, and accurately record capitalized assets.
3. Manages and monitors the distribution of project funds.
4. For all capitalizable projects, provides all required project setup data to FINCEN (FR) within 15 calendar days of contract award. Responsible for the timely review and certification of the CIP Analysis report and provides any necessary corrections to FINCEN (FR) within two weeks of receipt of the report. Reviews and provides final PMDS form to FINCEN and CG-842 within three weeks.

9.D.7.a

Headquarters Program Offices – AC&I Acquisition Project Managers

1. At the initiation of each CIP project, an APM will be specially designated in writing by either the Chief of Staff (Major Acquisition) or the responsible Project Office (G-A, G-D, CG-4/6, etc.) for projects that do not meet the Major Acquisition requirements. The APM shall ensure that FINCEN and CG-842 receive a copy of the signed APM designation letter.
2. Responsible for timely, accurate project set up.
3. Establishes and maintains data elements such as project manager name,, (AC&I will use a unique six digit program element), as well as the other data fields contained in the PMDS-Project Initiation form which include a Project Description, Types of Assets, Asset Delivery Schedule, Acceptance Criteria, and Asset Valuation Method and ensure that current information is provided to FINCEN-FR and CG-842. (See Section 9.I.)
4. Provides POC contact information to FINCEN-FR and CG-842 for related financial status of CIP projects.
5. Provides oversight of CIP projects, including approval and update of asset completion/delivery schedules, indirect cost methodologies, asset acceptance criteria, number and types of assets being delivered as part of the project, etc.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.D.7.a Headquarters Program Offices – AC&I Acquisition Project Managers (Continued)

6. Coordinates with various project team members and provides CG-842 and FINCEN-FR with CIP project information including direct and indirect costing methodologies, asset delivery schedules, asset acceptance criteria, required documentation, etc.
7. Calculates and maintains accurate indirect cost rates in accordance with CG-842 approved costing methodologies.
8. Implements local SOPs for management of their specific CIP projects. Ensures these procedures are in alignment with the CG's CIP policy and SOP via an effective internal control program.
9. Conducts and updates delivery schedules on at least a quarterly basis, and estimates and rates (direct and indirect costs) used for capitalization of assets.
10. Reconciles accounting systems records and certifies reports with local CIP project records on a monthly basis.
11. Reports the status of assets delivered on a monthly basis to FINCEN on all CIP projects.
12. Provides timely, complete, and accurate capitalization information to FINCEN FR for all assets from CIP projects.
13. Within two weeks of "delivery" or placing a constructed asset "in service" the Business/Financial Managers provide the APM with complete and accurate capitalization information for assets being delivered or transferred from CIP projects.
14. Responsible for timely review and certification of the CIP Analysis report and provides any necessary corrections to FINCEN FR within two weeks of receipt of the report.
15. Develops and/or applies the AC&I Labor to AC&I projects.

9.D.8 Coast Guard Remote Accounting Facilities: YARD & ARSC

The CG Yard and AR&SC must provide the HQ Project/Resource Manager with an accounting of the funds used in support of the project and keep the necessary documentation to support the historical cost of the OM&S or project improvement. At times, the CG Yard/ELC and/or AR&SC provide project support, in whole or in part, for CG CIP projects. The work performed at these activities ranges from purchase, valuation, and warehousing of parts for future logistic support to adding improvements to existing CG aircraft and vessels. In this project role these activities are normally supporting larger CG projects and receive funding transferred from Project Managers or Project Sponsors that must be accounted for as a part of the larger CG project. These transferred funds may result

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.D.8 Coast Guard Remote Accounting Facilities: YARD & ARSC (Continued)

in the creation of separate assets such as OM&S (e.g., parts in support of future C-130 operations) or improvements to existing assets (HH-65 Re-engine project). Funding received by the CG Yard/ELC/AR&SC from Project Managers/Sponsors must be tracked and reported to the Project Manager/Sponsor so that all funding associated with an AC&I program element can be accounted for and documented. Since funding transactions for many of these projects are not processed within the CG's Core Accounting System (CAS), these entities must use their own accounting and associated project/job order costing systems to track and, if appropriate, capitalize these expenditures.

The CG HQ Project/Resource Manager will designate in writing an assistant project manager at the CG Yard/ELC and/or AR&SC who will be executing the HQ project funds. This designation letter will be accompanied by additional project information that identifies whether the funding will be part of a larger Capitalizable or Expense project. It will provide or require the entity to provide information regarding the expected assets and/or improvements to be delivered, and whether the expenditures will result in separate assets that will be accounted for in the Yard/ELC and/or AR&SC's records (e.g., OM&S), or if the expenditure will result in assets/improvements that will be accounted for in the CG's Fixed Asset or CIP accounts (e.g. HH-65 Re-engine project). In addition, the designation letter will address the monthly and quarterly reporting responsibilities and the required reconciliation that must be provided to the HQ P/RM.

The P/FM shall ensure that FINCEN and CG-842 receive a copy of the signed designation letter. The assistant P/FM at the CG Yard, ELC or AR&SC will be responsible for:

1. CIP project accounting at their respective activities.
2. Retaining procurement, acquisition, transfer, and disposal documentation for capitalized real and personal property assets not capitalized in ORACLE.
3. Forwarding procurement, acquisition, transfer, and disposal documentation to FINCEN for all ORACLE related assets.
4. Recording all capitalized real and personal property assets into the appropriate accounting/property system, i.e., NESSS/ORACLE.
5. Maintaining CIP projects in an audit-ready status.
6. Reporting CIP values to FINCEN on a quarterly basis.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.D.8 Coast Guard Remote Accounting Facilities: YARD & ARSC (Continued)

7. Establishing and maintaining data elements such as project manager name, name of project, key members, six digit program elements as well as other data required to complete the Project Management Data Sheet (PMDS) and ensuring that current information is provided to FINCEN and CG-842.
8. Acting as POC for FINCEN and CG-842 for related financial status of CIP projects.
9. Coordinating with various project team members and providing the HQ PM with CIP project information, including direct and indirect costing methodologies, asset delivery schedules, asset acceptance criteria, required documentation, etc.
10. Calculating and maintaining accurate indirect cost rates in accordance with CG-842 approved costing methodologies.
11. Reconciling accounting systems records and certifying reports with local CIP project records on a monthly basis.
12. Within two weeks of “delivery” or placing a constructed asset “in service” the B/FM provides the PM with complete and accurate capitalization information for assets being delivered or transferred from CIP projects.
13. Developing any necessary office-level SOPs to support the standardized CIP SOP.
14. Reviewing and certifying the CIP Analysis report in a timely manner and providing any necessary corrections to FINCEN FR within two weeks of receipt of the report.

9.D.9 MLCs, Districts, FDCCs, CEUs, and Field Units

At times the MLCs, Districts, FD&CCs, CEUs, and Field Units provide project support for CG CIP projects. The work performed at these activities normally is associated with building or improving CG real property assets or Electronic Systems. In this project role, these activities normally are supporting larger CG projects (e.g., Deepwater Facility Improvements) that receive funding transferred from Project Managers or Project Sponsors that must be accounted for as a part of the larger CG project. In order for the Project Manager/Sponsor to properly account for all funding associated with their AC&I program elements, these external entities must provide the HQ Project/Resource Manager with an accounting of the funds used in support of the project and provide the necessary documentation to support the historical cost of the real property project or improvement.

The CG HQ Project/Resource Manager will designate in writing an assistant project manager at the MLCs, Districts, FD&CCs, CEUs, and Field Units who will be executing the HQ project funds. This designation letter will be accompanied by additional project

9.D.9 MLCs, Districts, FDCCs, CEUs, and Field Units (Continued)

information that identifies whether the funding will be part of a larger Capitalizable or Expense project. It will provide, or require the entity to provide, information regarding the expected assets and/or improvements to be delivered and whether the expenditures will result in separate assets. In addition, the designation letter will address the monthly and quarterly reporting responsibilities and the required reconciliation that must be provided to the HQ P/RM. The P/FM shall ensure that FINCEN and CG-842 receive a copy of the signed designation letter. The assistant P/FM at the MLC, Districts, FC&CC, CEUs will be responsible for:

1. Retaining procurement, acquisition, and transfer documents; developing, promulgating, and implementing local policy and procedures as necessary for the management of real and personal CIP projects.
2. Completing timely and accurate review and certification of real and personal CIP projects on a monthly basis.
3. Informing FINCEN and CG-842 of all real property construction and improvement projects meeting criteria for capitalization.
4. Responsible for timely and accurate recording of assets from CIP projects into the appropriate system.
5. Notifying FINCEN and CG-842 in a timely manner when real and personal CIP projects are completed.
6. Performing reviews of all CIP projects at time of project closure.
7. Establishing and maintaining data elements such as project manager name, name of project, key members, six digit program elements as well as other data required to complete the Project Management Data Sheet (PMDS), and ensuring that current information is provided to FINCEN and CG-842.
8. Acting as POC for FINCEN and CG-842 for related financial status of CIP projects.
9. Coordinating with various project team members and providing the PM with CIP project information, including direct and indirect costing methodologies, asset delivery schedules, asset acceptance criteria, required documentation, etc.
10. Calculating and maintaining accurate indirect cost rates in accordance with CG-842 approved costing methodologies.
11. Reconciling and certifying accounting systems records and reports with local CIP project records on a monthly basis.
12. Within two weeks of “delivery” or placing a constructed asset “in service” the Business/Financial Manager provides the PM with complete and accurate capitalization information for assets being delivered or transferred from CIP projects.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.D.9 MLCs, Districts, FDCCs, CEUs, and Field Units (Continued)

13. Developing any necessary office-level SOPs to support the standardized CIP SOP.
14. Responsible for the timely review and certification of the CIP Analysis report and providing any necessary corrections to FINCEN FR within two weeks of receipt of the report.

9.E Plant, Property and Equipment (PP&E)

PP&E is defined as “Tangible assets that (1) have an estimated useful life of 2 or more years, (2) are not intended for sale in the ordinary course of business, and (3) are intended to be used or available by the entity.”

9.F Cost Recognition

In general, most costs incurred after the concept development stage (e.g., feasibility study completed, if required) that are required to bring an asset to its required form and location are considered part of the asset's value. Although these concept development and/or feasibility study costs are not capitalized as part of the asset costs, most other costs are capitalized. However, in many large CG projects there are support type costs incurred after the asset has been placed “in Service/Accepted.” These costs incurred after the asset has been accepted may be exactly the same in form and function as Project costs incurred before the asset is accepted (e.g., parts used to assemble the asset versus parts used to support operations after a CG asset has been “accepted”). These support costs will be expensed in accordance with the below “cost treatment matrix” if they are incurred after the asset is “in service/accepted.”

1. APM's will review all project costs to ensure they're properly categorized and that the proper accounting treatment is applied.
2. All general PP&E shall be recorded at cost. The cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use. These cost may include:
 - a. Amounts paid to vendors
 - b. Transportation charge to the point of initial use
 - c. Handling and storage costs
 - d. Labor and other direct or indirect production costs (for assets produced or constructed)
 - e. Engineering, architectural, and other outside services for designs, plans, specifications, and surveys

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.F Cost Recognition (Continued)

- f. Acquisition and preparation costs of buildings and other facilities
- g. An appropriate share of the cost of equipment and facilities used in construction work
- h. Fixed equipment and related installation costs required for activities in a building or facility
- i. Direct costs of inspection, supervision, and administration of construction contracts and construction work
- j. Legal and recording fees and damage claims
- k. Fair value of facilities and equipment donated to the government
- l. Material amounts of interest costs paid

9.G Capitalization Standards – Thresholds

Real Property

1. Capitalize the acquisition, construction, or improvement of Building, Structure, Shore, and Waterways projects with a total unit cost (per asset cost) of \$200,000 or greater. All CG capitalization thresholds are applied to individual assets. For example, if two buildings are being constructed at the same location via the same vendor, and one building costs \$100,000 and the second building costs \$250,000, only the \$250,000 building will be capitalized – the other building will be expensed. Any activity resulting in a total unit cost below that threshold will be expensed. These thresholds are summarized in the following table:

Asset Type	Cap. Threshold
Land	Capitalize All
Buildings	\$200,000
Structures	\$200,000

Personal Property

2. Capitalize the acquisition, construction, or improvement of personal property when the total unit cost (per asset cost) of the activity in the following categories meets the thresholds noted. All CG capitalization threshold are applied to individual assets. For example, if 11 items of Electronic Test Equipment are being procured from a vendor for a total cost of \$255,000, with 10 items costing \$20,000 each and one costing \$55,000, only the \$55,000 item will be capitalized – the other 10 items totaling \$200,000 will be expensed. Any activity resulting in a total unit cost below that threshold will be expensed. These thresholds are summarized in the following table:

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G Capitalization Standards – Thresholds (Continued)

Asset Type	Cap. Threshold
Aircraft	\$200,000
Vessels	\$200,000
Electronics Systems	\$200,000
Internal Use Software	\$200,000
Electronics Stand Alone Equipment	\$50,000
Electronics Test Equipment	\$50,000
Boats	\$50,000
Small Arms	\$50,000
Vehicles	\$50,000
Buoys	\$50,000
General Purpose	\$50,000
Repairable Spare Parts	Capitalize All

3. YARD (F) will ensure that capitalization thresholds are established and maintained for Yard Industrial Fund PP&E assets.
4. When different types of assets (Vessels, Small Boats, and Spare Parts) are procured from the same Vendor(s), the procurement document(s) shall clearly identify the different assets so that individual unit costs can be identified. One contract can be used as long as each asset type has its own contract line item number (CLIN) and accounting information.
5. Projects are an accumulation of a wide variety of smaller costs that are aggregated to determine if an asset meets the capitalization threshold. Some of these smaller cost items, such as feasibility studies, should not be added to the overall capitalized value of an asset.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G.1 Capitalization Standards – Thresholds: Cost Matrix

The following matrix identifies costs and the applicable treatments (capitalize or expense). Credit card purchases are subject to review to determine if the purchase is capitalized or expensed (ref. FINCEN SOP Chapter 12, sec. D, 9.h.12.c). If additional costs are identified that are not in this matrix, the APM shall notify CG-842.

	Type of Cost	Treatment
1.	Additions to existing assets that extend capacity/service life (e.g. improvements).	Capitalize
2.	Advance payments.	Capitalize Note 1
3.	Architecture and engineering costs (Rendering, Soil Testing, Drawings).	Capitalize
4.	Building costs (CG owned) – original costs and major improvements.	Capitalize
5.	Calibration of equipment: a) Incurred during or prior to project completion. b) Incurred after project completion; normally funded with OE Funds.	Capitalize Expense
6.	Configuration management after a technological feasibility has been completed.	Capitalize
7.	Contractor logistics support and contractor depot logistics support after completion. Normally associated with normal maintenance, and typically funded with OE Funds.	Expense
8.	Damage claims related to the project, paid by CG to a contractor.	Capitalize
9.	Decommissioning, disposal costs (clean-up, site restoration, environmental due diligence act).	Expense Note 2
10.	Deployment readiness review (in service decision).	Capitalize

... continued on next page

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G.1 Capitalization Standards – Thresholds: Cost Matrix (Continued)

11.	Design (system & engineering) costs – Hardware, software, failure mode criticality analysis, maintainability/reliability program & demonstration costs. a) Before feasibility has been determined. Note: Feasibility is normally a factor only in very large, new technology projects. b) After feasibility has been determined.	Expense Capitalize
12.	Design reviews (e.g., Formal Qualification Reviews, Preliminary and Critical Design Reviews: a) Before feasibility has been determined. Note: Feasibility is normally a factor only in very large, new technology projects. b) After feasibility has been determined.	Expense Capitalize
13.	Direct costs for developing or fielding a system (e.g. Boats, Aircraft, Vessels, Electronics Systems), incurred by either CG or Contractor; after technological feasibility has been proven.	Capitalize
14.	Documentation (system) costs – incurred prior to project completion (e.g., guides, user manuals).	Capitalize
15.	Easements (land rights).	Capitalize
16.	Engineering costs (see design costs).	Capitalize
17.	Environmental impact (new construction).	Capitalize
18.	Environmental remediation costs (CG owned property): a) Underground storage tanks and asbestos removal. b) Soil removal and restoration: as part of new facility Construction. as part of cleanup after Construction/ decommissioning.	Note 3 Capitalize Note 4 Expense Note 2
19.	Equipment costs (CG Operating lease) used to facilitate the completion of a CG project (e.g. Boats, Aircraft, Vessels, and Electronics Systems).	Capitalize
20.	Failure mode critical analysis.	See design costs

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G.1 Capitalization Standards – Thresholds: Cost Matrix (Continued)

21.	First articles and prototypes.	Capitalize Note 5
22.	Furniture (initial purchase as part of a project).	Capitalize Note 6
23.	General and Administrative costs: a) Internal CG G&A b) Contractor provided G&A	Expense Capitalize
24.	Government Furnished Equipment/Material consumed as a part of the Project Cost	Capitalize
25.	Handling and storage costs. a) Prior to project completion. b) After project completion.	Capitalize Expense
26.	Incentive fees to contractors (to reward performance goals).	Capitalize
27.	Labor costs <u>during</u> construction: a) Technical support services contract. b) Logistics support services contract. (Note: Logistic services <u>after</u> a project is completed are considered a normal maintenance activity and must be expensed.) c) Acquisition, construction and investment billets (core and project management). d) Contractor support to program offices (program management, systems engineering and testing).	Capitalize Capitalize Capitalize Capitalize
28.	Land acquisition costs (e.g. survey, title services, appraisals, fees, razing existing structures acquired from others, environmental due diligence and purchase price).	Capitalize
29.	Legal fees incurred to bring project to its intended use (e.g. title and recordation costs).	Capitalize

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PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G.1 Capitalization Standards – Thresholds: Cost Matrix (Continued)

30.	Lease payments for Equipment (e.g., PP&E used to facilitate project completion). a) Capital lease. b) Operating lease.	Capitalize Note 7 Capitalize
31.	Lease payments for Land where CG will not receive title to the land.	Expense
32.	Leasehold improvements to non-CG owned assets (e.g. major renovations; rewire buildings; rehabilitate/enlarge piers).	Capitalize
33.	Legal fees – External (non-CG incurred legal costs to bring project to its intended use).	Capitalize
34.	Material costs: a) Contractor acquired property. b) Other contractor proved material. c) Government Furnished Material (GFM) provided the contractor.	Capitalize Capitalize Capitalize
35.	Maintenance and repair costs.	Expense
36.	Modifications to systems or equipment that provide a new capability or extend useful life (e.g. major upgrades, “leapfrog” modifications)	Capitalize
37.	Operating materials and supplies.	Note 8
38.	Other CG owned structures (e.g. electrical systems, roads, parking lots, piers, sidewalks, sewage systems, and towers), original cost and major improvements.	Capitalize
39.	Packaging, postage and packing (contractors costs): a) Costs incurred prior to project completion. b) Costs incurred after project completion.	Capitalize Expense
40.	Interest payments. Prompt Payment Interest	Capitalize Expense
41.	Prepayments.	Note 1

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G.1 Capitalization Standards – Thresholds: Cost Matrix (Continued)

42.	Price adjustments (e.g. economic price adjustments, equitable price adjustments).	Capitalize
43.	Production readiness review.	Capitalize
44.	Progress payments	Capitalize Note 1
45.	Project management costs by contractor(s). Note: For CG AC&I labor costs see “Labor”.	Capitalize
46.	Prototypes and first articles.	Capitalize Note 5
47.	Real estate costs incurred to place the project into operation (also see land acquisition costs).	Capitalize
48.	Renovation costs (also see buildings, equipment, and other structures and leasehold improvements).	Capitalize
49.	Rental costs: a) Equipment/storage space prior to project completion. b) Equipment/storage space after project completion.	Capitalize Expense
50.	Repair costs (emergency repairs, routine repairs such as replacing shingles or repairing HVAC, periodic depot maintenance, Yard availability).	Expense
51.	Research and development costs.	Expense
52.	Service costs (incurred after project completion).	Expense
53.	Shipping costs for new systems (including handling and storage). a) To a point of intended use (includes fuel to move Aircraft, Boats or Vessels from contractor location to initial CG location). b) After point of intended use.	Capitalize Expense
54.	Site construction costs (also see land acquisition costs).	Capitalize

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PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G.1 Capitalization Standards – Thresholds: Cost Matrix (Continued)

55.	Site selection costs (e.g. legal, survey, design, studies). a) If site was selected for lease or purchase. b) If site was not selected for lease or purchase.	Capitalize Expense
56.	Software costs (internally and externally produced, embedded).	Capitalize Note 9
57.	Special tools and test equipment hardware.	Capitalize
58.	System/sub-system integrity check demonstration.	Capitalize
59.	System tests (e.g. interface test, operational test and evaluation): a) Incurred prior to project completion. b) Incurred after project completion.	Capitalize Expense
60.	Technical manuals.	Capitalize
61.	Technology refreshment of COTS components (includes product improvements or upgrades).	Capitalize Note 10
62.	Technical support services: a) Incurred prior to completion. b) Incurred after completion.	Capitalize Expense
63.	Telecommunications: a) Initial (if an integral part of the project cost). b) Service (normal activity; not tied to completing the project).	Capitalize Expense
64.	Test equipment: a) Procured as an embedded or required component of a system. b) Stand alone test equipment (not part of a system).	Capitalize Capitalize as a Unique Asset. Note 11
65.	Test/Readiness review.	Capitalize
66.	Training courses and devices developed by CG or Contractor personnel – course development costs and/or construction of training device (system/asset specific).	Capitalize as a Unique Asset

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G.1 Capitalization Standards – Thresholds: Cost Matrix (Continued)

67.	Training courses, both refresher and follow-on training given to CG personnel	Expense
68.	Travel: a) In conjunction with inspection, supervision, and administration of construction contracts and project responsibility. b) General and administrative travel for a common or joint purpose benefiting more than one cost objective, such as travel to monitor several projects, or project costs such as CG crew relocation and travel costs incurred to relocate the crew during work on a CG Vessel. c) Continuous Travel Orders that cover, i.e., Per Diem, Lodging, Air fare, Car Rental, etc.	Expense Note 13 Expense Expense
69.	Utilities: a) To bring the asset to its intended use (e.g. installation, site preparation). Note: utilities are normally operating expenses. b) After project completion (even if paid by AC&I funds).	Capitalize Expense
70.	Warranties	Expense Note 12

9.G.2 Capitalization Standards – Thresholds: Notes

Note 1. Advances and progress payments made to contractors as part of a CIP project should be added to the CIP account for the asset being constructed.

Note 2. Do not capitalize costs associated with decommissioning or disposing of an asset. At the time an asset is placed in service (commissioned), estimate what environmental cleanup costs will be incurred in connection with its subsequent decommissioning or disposal. Then allocate that estimated total environmental cleanup cost proportionately over the service life of the asset, with a portion of it recognized as expense (and accrued as a liability) during each service year. Such accrual does not impact the asset's gross value or accumulated depreciation, but instead accumulates in an unfunded liability account. Non-environmental decommissioning costs must be estimated when CG Management decides to dispose of the asset, based on the type of disposal management elects.

Note: If non-environmental disposal costs cannot be easily separated

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G.2 Capitalization Standards – Thresholds: Notes (Continued)

from environmental costs they can be included as part of the environmental cleanup costs.

Note 3. For hazardous materials projects that clean up existing facilities and do not include equipment \$50,000 or greater, expense all costs as they are incurred. If new equipment is acquired to address environmental concerns (such as scrubbers or filtration devices), account for such equipment as a new capital asset if it meets capitalization thresholds. Otherwise, expense the equipment.

Note 4. Cleanup costs may be incurred in connection with bringing a property to a form and location suitable for its intended use; therefore they are eligible for capitalization, along with other site development costs.

Note 5. Expense any costs incurred on a first article or prototype before technological feasibility has been established. After technological feasibility has been established, the subsequent costs of constructing and installing the first article are eligible for capitalization and depreciation over the useful life of the asset. If the first article is an improvement to an existing asset and does not extend the life of the existing asset, depreciate the prototype over the remaining service life of the existing asset. If the prototype extends the useful life of the existing asset, add the cost of the prototype to the existing asset and depreciate the remaining net book value, plus prototype costs over the new useful life. If the first article/prototype is not intended to be placed in operational service, but is to be used solely for testing, capitalize and depreciate it over the estimated service life of the entire program. If the system is destroyed during testing, write off the asset at that time.

Note 6. Furniture will be capitalized if it is built into or attached to the project asset and would damage the asset if removed. If individual pieces of non-attached furniture meet capitalization thresholds, then they must be capitalized and not listed as part of the project cost. If individual pieces of non-attached furniture do not meet the capitalization threshold for GPP then they must be expensed.

Note 7. Capital lease assets are capitalized upon a determination that the lease meets the capital lease criteria of SFFAS No. 6.

Note 8. Beginning in FY 2004, the CG changed its method of accounting for repairable spare parts. Prior to FY 2004, these items were removed from the project costs and valued at historical cost in either the Vessel's or Inventory Control Point's records. Starting with new Cutter Classes delivered after FY 2003, the CG is capitalizing repairable spare parts as part of the asset cost if they were purchased as

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.G.2 Capitalization Standards – Thresholds: Notes (Continued)

part of the overall project and depreciated using the same economic service life as the base asset they support (e.g. 378' cutter).

Note 9. Software embedded in a system is part of the system's total cost. Other software costs (both internally and externally incurred), procured independently of the hardware on which it is resident, may be a capitalizable cost. Examples of capitalizable costs are the costs to purchase or develop software, including design, coding, testing, installation, and any enhancements to existing software that result in developmental costs that are not eligible for capitalization, including evaluation of alternatives, data conversion costs, costs incurred after final acceptance, software maintenance, or enhancements that merely correct a design flaw or extend the useful life of the software.

Note 10. If the original asset was recorded as line-item accountable, delete the old record and record the replacement component as a new detail property record. Capitalize it if it meets the capitalization criteria. If the original asset was recorded as a system, determine whether the replacement component provides a new capability (not previously included), or extends the service life of the asset. If it does, capitalize it as an improvement if it meets the capitalization criteria; if it does not, expense it.

Note 11. If stand-alone test equipment (test equipment not part of a system) meets the capitalization criteria, add it to the fixed asset system; if does not, expense it.

Note 12. If the CG purchases an extended warranty, record it as an expense at the time the invoice is paid.

Note 13. CG has determined that travel orders will be expensed since they do not meet the definition of direct costs. SFFAS No. 4 indicates that direct costs are costs that can be specifically identified with an output, and SFFAS No. 6 calls for capitalization of the "direct costs of inspection, supervision, and administrative of construction contracts." Since CG travel orders cannot be directly linked to a specific asset, they will be expensed.

9.G.3 Capitalization Standards – Improvements

1. Improvements that meet the capitalization threshold for the same asset class (e.g., Aircraft improvement of \$200,000 or more, Boat improvement of \$50,000 or more) shall be capitalized. Improvements that result from projects that either enlarge a base asset's capacity or improve its capability shall be capitalized and depreciated over the remaining useful life of the base asset. If the improvement project extended the life of the base asset, the value of the improvement shall be added to the base asset's remaining Net Book Value and depreciated over the "new" useful life of the base asset.
2. Aircraft periodic depot maintenance and Vessel maintenance, availabilities and rehabilitations are considered maintenance activities that will facilitate the asset meeting its intended service life. These types of maintenance activities and their related costs shall be expensed.
3. HQ Program manager APM's shall identify first Article and prototype assets in their project delivery and cost schedules. A first article or prototype represents the first unit constructed for a class of assets or systems. The cost of a first article may be higher than subsequent units because of the need for extensive planning and design to construct the assets or systems. While the costs incurred for their production may be higher than those incurred for later produced assets of the same or similar type, these actual costs represent the true historical costs of placing the asset in service and therefore are capitalized as that unit's historical cost. Excessive cost of the first article is not to be pro-rated across all similar assets.
4. Expense any costs incurred on a first article or prototype before technological feasibility has been established. After technological feasibility is established, the subsequent costs of constructing and installing a first article are eligible for capitalization and depreciation.
5. Some first articles or prototypes are not intended to be placed in operational service. Instead, they are intended to be used solely for testing (both initial and recurring testing throughout the asset's life). If the first article is to be used strictly for testing, capitalize and depreciate the asset over the estimated project delivery schedule for all of the project's follow-on assets. If the delivery schedule changes, the change in useful life for the prototype asset will be treated as a change in estimate and modified prospectively.

9.G.3 Capitalization Standards – Improvements (Continued)

6. If a prototype is destroyed during testing, expense the asset within 30 days of destruction and treat any remaining net book value as a loss.

9.H Costing Methodology

CG will use one or more of the following methods for establishing the full costs for CG assets. These methods are listed in order of preference:

1. Directly tracing costs wherever economically feasible
2. Assigning costs on a cause-and-effect basis
3. Allocating costs on a reasonable and consistent basis

In general there are two types of costs, direct and indirect, that must be included, on an accrual basis, in the full cost of an asset.

9.H.1 Costing Methodology – Direct Costs

1. Direct costs are those that can be specifically identified with an output (asset) and do not require any type of assignment or allocation to drive the cost to an asset. All direct costs shall be included in the full cost of assets. Typical examples of direct costs are:
 - a. Salaries and other benefits for employees who work directly on the project.
 - b. Materials and supplies used in the work.
 - c. Various costs associated with office space, equipment, facilities, and utilities, that are used exclusively to produce the asset.
 - d. Costs of goods and services received from other segments or entities that are used to produce the asset.
2. In most cases, the CG does not receive cost information from vendors that is directly traceable to an individual asset; however, several CG activities (ELC and AR&SC) that perform project work can directly trace raw materials and labor to a specific asset or improvement via their work order/project accounting systems. Some direct costs can be assigned to an asset via information provided by the Contractor's accounting system. For example, the CG can assign the cost to a discrete asset using the DD-250 or DHS Form 700-21 or invoice document that specifically identifies a portion of a contract cost to a specific asset procured via the contract.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.H.1 Costing Methodology – Direct Costs (Continued)

3. Some direct costs can be assigned to a specific asset based on the terms of a fixed price or similar type of contract vehicle, including a Military Interdepartmental Procurement Request (MIPR). For example, the CG issues a MIPR to perform sea trials on four CG CIP assets at an agreed upon price of \$100,000 each. When the Navy bills for this service, it may not itemize or separately identify the costs associated with each of the four vessels. Therefore, the CG will allocate the agreed upon estimated cost per vessel, unless better information is provided by the Navy/contractor.

9.H.2 Costing Methodology – Indirect Costs

1. Indirect costs are costs that are jointly or commonly used to produce two or more types of outputs (assets), but are not specifically identifiable with any of the assets. Indirect costs are normally allocated to an asset or an indirect cost pool based on a ratio (expressed as a percentage) of the indirect costs to a direct cost base. For example, Deepwater program utilizes Program Management (PM), and Systems, Integration, and Testing (SEIT) contractors to provide PM and SEIT services for all of the projects managed by the DW program (National Security Cutter, Fast Response Cutter, Short Range Prosecutor, 123' Patrol Boat). These support services are not specifically identified to a specific project or asset, but are available to each project on an as needed basis. Therefore, each of these projects must be allocated a portion of these general support activities based on the percentage of each project to the total of all projects utilizing these common services or support functions. These costs are distributed to cost pools for each project (e.g., NSC), and as specific assets are delivered within a project, each asset is burdened with a portion of this general indirect cost based on a dollar cost average of the specific asset to the total (expected) cost of all assets.
2. Another type of CG indirect cost is AC&I labor costs which pay for the CG personnel who provide project oversight and support services (AC&I Project and Core billets). In order to ensure that AC&I labor is adequately allocated to all AC&I funded projects, a CG-wide AC&I Labor rate is developed each year for the annual AC&I appropriation by FINCEN-FR.
3. Typical examples of indirect costs/cost pools are:
 - a. General administrative services (AC&I Core billets).
 - b. Security.
 - c. Rent.
 - d. Employee health costs.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.H.2

Costing

Methodology –

Indirect Costs

(Continued)

- e. Operating and maintenance costs for buildings, equipment and utilities.
- f. Program/project management services.
- g. System integration and testing.
- h. Technical manuals.

9.H.3

Costing

Methodology –

Indirect Rates and Estimates

- 1. Indirect cost rates, except for AC&I Labor, and all project estimates must be developed by the PM and the F/RM for each CIP project and approved by CG-842 for the proper allocation of project indirect costs, and overhead costs.
- 2. HQ Program Offices shall review all rates and estimates on a quarterly basis and provide FINCEN-FR and CG-842 the results of the analysis within 5 work days after the end of the quarter. CG-842 shall approve these rates within 5 work days of receiving the program's rate analysis, and provide copies of these approved rates to the PM and FINCEN-FR.
- 3. Approved rate changes from the quarterly review of rates and estimates shall be applied prospectively to new assets.

9.H.4

Costing

Methodology –

Expense Costs

- 1. Costs that do not meet the requirement for capitalization shall be expensed in the accounting period in which they are incurred.
- 2. Costs that are identified as non-capitalizable in nature shall be expensed and removed from the CIP account as soon as they are identified, without waiting for asset delivery, project completion, or closeout. Failure to expense costs in a timely manner will result in operating expenses being charged against the wrong accounting period, and will inflate the value of CIP.
- 3. If the expected per-asset cost does not meet CG capitalization thresholds, the entire project should be reported to FINCEN-FR as an expense project and removed from the CIP account.
- 4. A comprehensive list of expense costs is identified in the Cost Treatment Matrix.

9.I Project Establishment

1. The accurate and complete establishment of CIP projects is essential to the timely, accurate relief of CIP accounts as well as the creation of assets on the CG's financial statements. In order to ensure that all aspects of a CIP project are examined, the PM shall convene a project initiation team meeting composed of, at a minimum, the project's APM, F/RM, Contracting representative, CG-842 Analyst, CG-831, and FINCEN FR representative.
2. During this initial meeting, a project establishment package shall be prepared that identifies the following items (explained in detail in the following sections):
 - a. The type(s) of assets that the project will deliver.
 - b. A separate six-digit program element shall be established for the direct cost associated with each type/class of asset (effective 10/1/05 for new projects).
 - c. A separate six-digit program element shall be established for the indirect costs associated with each type/class of asset, other than AC&I labor which has a yearly allocation rate for all AC&I expenditures (effective 10/1/05 for new projects).
 - d. The estimated delivery schedule for all assets that the project will deliver.
 - e. The acceptance criteria for all assets the project will deliver.
 - f. The costing methodologies needed for the project.
 - g. The type and source of valuation documentation the project will provide.
 - h. Project points of contact for PM, APM, F/RM, CG-842 Analyst, FINCEN FR Representative, etc.
3. HQ Program office and/or the APM's shall ensure that a project establishment package is prepared addressing the requirements in the following sections and submitted to CG-842/FINCEN for review and approval within 30 days of receipt of the CIP project funding.
4. CG-842 and FINCEN shall review the project establishment package and work out any addition or missing details with the program office. The package shall be approved in writing by CG-842, and a copy shall be distributed to the HQ program office and FINCEN-FR within 30 days of receipt.
5. HQ Programs shall ensure that funding levels, funding transfers, and the subsequent assignment of those funding levels to CIP projects is consistent with asset types (e.g., National Security Cutter, 123' Patrol Boat) and cost types (e.g., Direct or Indirect) to ensure proper classification and traceability of funds.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.I Project Establishment (Continued)

6. A separate six digit program element shall be established for the direct cost associated with each type/class of asset.
7. A separate six digit program element shall be established for the indirect costs associated with each type/class of asset (other than AC&I labor which has a yearly allocation rate for all AC&I expenditures).
8. HQ programs shall ensure that estimates and rates for cost allocation are reviewed and updated when funding-level changes occur.
9. FINCEN-FR shall work with HQ programs (CG-83, APM's) to ensure that CIP project numbers are created in a manner that will accurately reflect the CIP account. For example, AC&I funding that is received for the construction of a new vessel and a new pier, or pier improvements, will be initialized under two CIP project numbers.
10. HQ Programs shall establish a delivery schedule of discrete assets that will include the month/year the estimated delivery is expected.
11. The delivery schedule shall be part of the project package and shall be reviewed at the time an asset is delivered, or at a minimum, on a quarterly basis as part of the quarterly review process.
12. All constructed general PP&E shall be recorded and shall remain in CIP until the asset is brought to a form and location suitable for its intended use. All general PP&E shall be recorded at historical cost.
13. HQ APM shall ensure that the direct and indirect costing methodologies are established for all assets that will be delivered as part of the project. The costing methodology will ensure that all project costs are accounted for, including those that will not be capitalized (e.g., expensed). If AC&I labor will be included, the PM must ensure that the proper labor rate(s) are applied as addressed below.
14. The application of AC&I labor to AC&I projects is accomplished in the following manner:
 - a. G-A identifies all direct and support billets for G-A, G-D, and CG-4 projects identified on the CG Planned Allowance List (PAL), and a cost is developed based on the Standard Personnel Cost (SPC) for each billet based on salary only. In addition, all indirect billets are also identified and similarly priced.
 - b. An adjustment is made to the developed cost of SPC times the number of billets, to ensure that the developed cost do not exceed the AC&I labor budget.

9.I Project Establishment (Continued)

- c. Next, an overhead rate is developed to apply the overhead of indirect AC&I billets to the identified G-A, G-D, and CG-4 billets. At this point all AC&I labor are broken into three groups; G-A, G-D, and CG-4.
 - d. Next, the major projects that have identified billets are priced using the billet cost for direct project billets plus their associated overhead. This process is used for major projects.
- 15. For major projects, the billets used to support the projects are priced out for the current FY without regard to proposed project budget or planned amount.
- 16. Major projects have a projected list of billets that are directly identified to the project, and the labor costs are predicated on those specific billets plus an appropriate share of the overhead labor cost. Since labor is applied based on billets, a new CIP project could have AC&I labor costs and zero construction expenditures.
 - a. For Real Property projects there is an identifiable billet structure, but these billets are used to manage projects of four different types of Real Property projects: Major discrete projects, Public Family Housing, Waterways, and Minor projects.
 - b. To distribute labor to these four different types of projects, first the Real Property billets are priced out as above and then broken into four cost pools based on the FY AC&I budgets for the four Real Property groups of Major discrete projects, Public Family Housing, Waterways, and Minor projects.
 - c. The cost pool associated with Major projects is distributed to specific projects based on an individual project's FY budget, divided by the total of all these FY Major Project budgets. This ratio is then multiplied by the Major project labor cost pool to determine the individual project labor cost. Since these projects have discrete yearly budgets, their specific percentage of the labor cost pool can be readily determined ahead of time, and the entire yearly labor is distributed to these projects before any other expenditures are incurred. This can result in a CIP project that is in the planning stages, with zero construction costs, being burdened with AC&I labor. This is appropriate, since the CG labor is associated with the planning, monitoring, design, and construction. It is therefore reasonable to assume that most CG labor is associated with the planning, monitoring, and design. Once the yearly AC&I labor allocation is added to the project, no additional AC&I labor

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.I Project Establishment (Continued)

is added to this project as construction expenditures are incurred. Additional AC&I labor is only added to the project if subsequent FY AC&I funding is authorized. In other words, the FY labor is applied based on the budget for FY99, and no additional labor will be applied unless it receives additional FY funding. If this happens, then the same process would be used to apply a portion of the additional FY AC&I labor to this project.

17. Individual projects within the Public Family Housing, Waterways, and Minor project categories do not have discrete yearly budgets. Therefore, to apply labor to individual projects within these groups, a rate is developed. This rate is created for each of these cost pools by taking, for example, the FY AC&I Waterway's labor cost pool, divided by the FY AC&I budget for Waterways.
18. This rate is then multiplied by the individual project expenditures. An example is the Barnegat Inlet Waterways project. In this specific example, the FY 98 Waterways labor pool cost was \$903,560, and the FY 98 Waterways budget was \$5,000,000. Therefore, for each dollar expended on the Barnegat Inlet project, \$.18 of labor cost was allocated. Since no labor is applied until costs are incurred, the unapplied labor must be carried forward as a separate CIP account until all expenditures of FY98 money are recorded. This requires that the project expenditures for these projects be identified by FY, so that the project expenditures for a given year can be burdened by the appropriate rate. It also requires that these projects be updated at year-end or upon completion to reduce the amount of unapplied labor to a minimum.
19. The cost of any GFE/GFM consumed in the construction or manufacturing process shall be added to the CIP project as a cost and capitalized.
20. The cost of any GFE/GFM returned to the CG shall not be capitalized.
21. HQ Program APM's shall ensure that all GFE/GFM costs are tracked and supported.
22. HQ Program offices shall ensure that all issued contracts contain the required specificity, so that direct and indirect costs, as well as the type of assets, can be identified for costing purposes. For example, a contract that is issued for both the construction of a new cutter and the improvement of an existing cutter should be issued under two separate contract line items, with separate accounting data, in order to provide clear traceability of costs to each asset.

9.J Project Execution

1. HQ Program managers shall ensure that contracts, contract modifications, and miscellaneous obligation documents are issued timely and cite the proper program element, so that costs, to the greatest extent possible, can be traced to assets.
2. HQ Program APM's shall review CIP expenditure costs to ensure that they are correct, and validate that they can be supported by third party evidential documentation (e.g. invoices, if possible).
3. CG-842 and HQ Program offices shall review CIP projects on a quarterly basis to ensure that all schedules, assumptions, estimates, and rates used for the burdening of assets are correct and up to date.
4. This review will be documented, and a copy will be given to FINCEN-FR for the CG project folder.

9.K Execution Reports

1. FINCEN-FR shall ensure that the appropriate CIP financial reports are distributed to HQ Program Offices on a monthly basis:
 - a. AC&I/OE Master Report
 - b. Cancelled Appropriation Report
 - c. CIP APM Listing Report
 - d. CIP Master Report
2. HQ Program Offices shall review these reports on a monthly basis to ensure their accuracy, and will report errors to FINCEN-FR.
3. FINCEN-FR shall provide a detailed listing of CIP expenditure costs to HQ Program APM's on an as-requested basis.
4. HQ Program Offices shall report all delivered and accepted assets to FINCEN-FR using the PMDS reporting process contained in 9.N.1.

9.L Execution Reviews

1. To minimize retrospective cost adjustments to previously delivered assets, HQ Program office and/or APM's shall review CIP projects when changes occur to determine if updated estimates and rates are needed to ensure that cost changes are made to assets on a prospective basis. This will be accomplished within 30 days of the change. The following areas can affect rates and estimates used in the valuation of assets:
 - a. Funding levels (e.g. initial, transfers)
 - b. Delivery schedules (e.g. number and types of assets)
 - c. Indirect cost allocation rates

9.L Execution Reviews (Continued)

- d. Change in direct/indirect costs
 - e. AC&I overhead allocation rates
2. HQ Program office and /or APM's shall perform a review of all CIP projects as assets are delivered, or at a minimum on a monthly basis, to ensure that rates and estimates used in the valuation of assets are accurate, and that all changes that occurred in that fiscal quarter were accounted for.
3. The APMs shall review their projects' expenditures on a monthly basis to determine if all expenditures are appropriate to capitalize.
4. CG-842 shall ensure that all CIP projects are reviewed on a quarterly basis, and provide assistance when needed.
5. CG-842 in conjunction with FINCEN-FR shall review and approve all changes in rates and estimates that reflect asset cost changes in the HQ Program office and/or APM project packages.
6. CG-842 shall ensure project packages are reviewed, and a copy shall be distributed to the HQ program office and FINCEN-FR within 30 days of receipt.

9.M Receipt of Assets

Assets shall be receipted in a timely fashion, so that HQ Program managers APM's can review and capitalize them within 30 days from delivery and acceptance.

9.M.1 Receipt of Assets – Full and Complete

1. Full and complete assets are those that meet the CG's initial project requirements.
2. HQ Program managers shall maintain projects and their associated costs to ensure that full and complete receipts of assets are accurately reflected in reports, and have undergone full review to ensure accuracy.
3. HQ Program managers shall ensure that all costs for assets that are considered full and complete (capitalized assets) shall be included in the PMDS report package and accurately interfaced (moved from CIP to Capital Assets) by FINCEN-FR on the following month's CIP Master Report and in the CG's Fixed Asset records.

9.M.2 Receipt of Assets – Less than Full and Complete

1. Less than full and complete assets are those that are not in a state to provide the anticipated service the asset intended. These assets should be analyzed to ensure that incremental capability (i.e., an early version) cannot be accepted.
2. Assets that are received, but less than full and complete, are still CIP assets that have not been delivered and accepted. Those costs that are less than full and complete shall be accurately reflected as expenditures in CIP and AC&I reports.
3. HQ Program managers shall ensure that all less than full and complete costs are reviewed on monthly basis to ensure that any costs that are attributable to expense actions are removed or expensed from CIP accounts.

9.M.3 Receipt of Assets – Follow-on Costs

1. Occasionally, construction contracts will incur costs not reflected in the CIP expenditures total when the asset is delivered and accepted as full and complete. These costs normally occur at the completion of a project.
2. Upon receipt of interim and final project asset(s), the HQ Program office APM's shall review and validate outstanding undelivered orders to ensure that they are associated with project assets that have been delivered/accepted.
3. If the cost difference is less than 10% of the value assigned to the last asset, the difference shall be added to (or subtracted from) the last asset.
4. If the cost difference is 10% or greater than the value assigned to the last asset, the difference shall be equally allocated to all assets previously delivered.
5. Most follow-on costs are merely price adjustments to the project's value and will be added to project assets as described above. However, some follow-on costs (e.g., engineering change proposals) are changes directed at specific assets within the project and do not affect all assets uniformly. These ECP and ECP-like costs must be examined by the PM, and a determination made as to impact of the ECP on affected assets.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.M.4 Receipt of Assets – Documentation

1. “Third Party” documentation such as contractor sign-offs (releases), final invoices, DD-250 (acceptance and/or receiving report), or DHS Form 700-21 received from the contractor are the preferred type of documentation to support valuation. In certain instances, non third party documents (e.g. Military Messages; internal CG Memoranda that document the results of CG conducted tests, Test Plan results) will suffice as support for in-service dates.
2. HQ Program manager APM’s shall ensure that accurate and complete documentation is obtained and forwarded to FINCEN-FR to support the valuation and in-service dates of all capitalized assets.
3. To the maximum extent possible, the HQ Program manager APM’s shall ensure that the following types of third party documents are obtained to support the valuation and in-service dates:

Category	In-service Date supported by:
Real Property	
Land	Deed – Title recording date
Buildings	Cert of Occupancy date; Title recording date; CG memo date
Structures	CEU message date; CG memo date
Personal Property	
Aircraft	DD-250/CG 41 acceptance date or DHS Form 700-21
Vessels	DD-250/ CG-45 acceptance date or DHS Form 700-21
Boats	DD-250 acceptance date or DHS Form 700-21
Electronics Systems	CG message/memo date
Software	CG message/memo date
Vehicles	Title issue date/DD-1149 date or DHS Form 700-21
General Purpose	OF-347 acceptance, or DD-250 acceptance date or DHS Form 700-21

4. If none of these documents can be obtained, the HQ Program manager APM shall contact CG-842 for further guidance.

9.N Capitalization of Assets

This section addresses the following topics:

- Project Management Data Sheet (PMDS)
- Service Life of Assets
- Capital and Operating Leases

9.N.1 Project Management Data Sheet (PMDS)

1. HQ Program manager APM's shall summarize all applicable project costs on Project Management Data Sheet (PMDS) submission packages.
2. PMDS packages will contain at minimum the following information regarding a project:
 - a. Project number
 - b. A brief Project description
 - c. Project Direct and Indirect program elements
 - d. Project contract numbers
 - e. Asset delivery schedules
 - f. Asset acceptance criteria
3. APM's shall identify costs in PMDS submissions so that CIP expenditure values in project/program elements can be relieved by FINCEN-FR.
4. APM's shall ensure that all costs in PMDS submission packages shall be supported by third-party documentation to the maximum extent possible.
5. HQ APM's or HQ Program manager shall ensure that all PMDS submission packages are forwarded to CG-842 for review and approval within 20 days after delivery and acceptance of the asset.
6. CG-842 and FINCEN-FR will jointly review packages for completeness and correctness within 5 days of receipt.
7. PMDS submission packages that do not contain fully supported costs will be returned to the APM or HQ Program manager by CG-842 with corrective action instructions and dates.
8. APM's or HQ Program manager shall ensure that corrective actions are carried out within the timeframes identified.
9. Re-submissions shall follow the same procedures as first submissions.
10. FINCEN-FR shall record assets within 5 days after joint review and acceptance with CG-842.
11. FINCEN-FR will provide the HQ Program manager and/or APM's with a copy of PMDS submission packages where FINCEN-FR applied indirect costs.

9.N.1 Project Management Data Sheet (PMDS) (Continued)

12. HQ Program manager APM's shall ensure that assets are recorded timely and accurately in the CG's designated fixed asset system.
13. FINCEN-FR shall interface assets from CIP identifying specific expenditures whenever the DD-250 or invoice documents (in PMDS submission package) cite contracts and respective contract line items.
14. All other costs shall be interfaced using approved CG allocation methodologies specifically identified for the project/asset being interfaced.
15. HQ Program manager APM's shall ensure all required actions are taken so that assets can be recorded in the CG's designated fixed asset system within 30 days after delivery/acceptance.
16. It is imperative that accurate in-service dates be established in fixed asset systems supported by complete documentation as addressed in the table above.
17. Acceptance criteria shall be established as part of the project set-up process. These criteria can be supported by third party documentation such as titles, DD-250's, DHS Form 700-21, Release Forms, etc, or CG documentation based on testing criteria.

9.N.2. Service Life of Assets

1. HQ Program manager APM's, in conjunction with CG-842 and FINCEN (FR), shall ensure that service lives are established and fully supported for new assets prior to delivery and acceptance of the asset.
2. HQ Program managers and FINCEN shall maintain the supporting documentation throughout the service life of the asset.
3. All capitalized real and personal property assets (excluding Yard fund assets for which separate policy applies) will have initial service lives in accordance with this section using the straight-line depreciation method with no salvage value (except Land).
4. The Coast Guard evaluates its service life estimates and assumptions on a periodic basis and, when warranted, adjusts these estimates and assumptions. Adjustments are accounted for on a prospective basis through depreciation expense, as required by GAAP. Evaluations impacting service lives issued by HQ program offices shall be evaluated by CG-842. These evaluations shall be reviewed and approved, and policy can be updated. Additionally, evaluation shall be forwarded to FINCEN so that prospective changes to policy and service lives

PLANT, PROPERTY AND EQUIPMENT (PP&E)

of assets can be made.

9.N.2.a Service Life of Real Property

1. Land is not depreciated.
2. Buildings and Structures are depreciated over the useful life of the asset using the straight-line method with no salvage value.
3. Changes in service lives resulting from improvements shall be determined by Commandant (CG-43) and reported to Commandant (CG-84) and FINCEN (FR) with appropriate capitalization documentation when the improvement is completed.

Service Life of Real Property		
Type	Service Life	Effective Date
Land	Indefinite	Pre95 – Post94
Buildings	40 years	Pre95 – Post94
Structures	20 years	Pre95 – Post94

9.N.2.b Service Life of Aircraft

1. The service life of Aircraft shall be established by Commandant CG-41 and reported to Commandant CG-84. Factors used to establish service lives are, but not limited to, the Coast Guard maintenance program, changes in utilization of aircraft (e.g. flight hours or cycles), and environmental factors (e.g. where the aircraft will be used), and/or experience by other government and non-government activities operating “like” aircraft.
2. Changes in service lives resulting from improvements shall be determined by Commandant (CG-41) and reported to Commandant (CG-84) and FINCEN (FR) at the time the aircraft improvement is completed.
3. The service lives of Aircraft, based on date in service, are as follows:

Service Life of Aircraft		
Type	Service Life	Effective Date
HC-130	35 years	Oct-2004
HH-60	30 years	Oct-2004
HH-65	30 years	Oct-2004
C-37A	20 years	Oct-2004
HU-25	27 years	Oct-2004

**9.N.2.c
Service Life of
Vessels**

1. The service lives of Vessels shall be determined by Commandant (CG-45) and reflected in the related Operational Requirements Document (ORD). The identified service life of a specific class will remain in effect until changed by an approved “Ship Structure and Machinery Evaluation Board” (SSMEB). The SSMEB review will normally occur 10 years after commissioning of the lead ship of the class, and at five year intervals thereafter. Earlier evaluations may occur for certain cutters due to design, service, or other considerations.
2. Changes in service lives resulting from improvements shall be determined by Commandant (CG-45) and reported to Commandant (CG-84) and FINCEN (FR) at the time the vessel improvement is completed.
3. The service lives of vessels are as follows:

Service Life of Vessels		
Type	Service Life	Effective Date
WAGB-400	34 years	Aug-2004
WAGB-420	30 years	Aug-2004
WHEC-378	43 years	Aug-2004
WMEC-282	16.5 years	Aug-2004
WMEC-270	30 years	Aug-2004
WMEC-210	45 years	Aug-2004
WLB-225	30 years	Aug-2004
WPB-123	15 years	Aug-2004
WPB-110	25 years	Aug-2004
WPB-87	25 years	Aug-2004
WTGB-140	22 years	Aug-2004
WLIC	30 years	Aug-2004
WLM	30 years	Aug-2004
WLR-75 (F Class)	30 years	Aug-2004

**9.N.2.d
Service Life of
Boats**

1. The service lives of Boats shall be determined by Commandant (CG-45) and reflected in the related operational requirements document (ORD), or similar documentation. The identified service life of a specific class will remain in effect until changed by an approved “Ship Structure and Machinery Evaluation Board” (SSMEB). The SSMEB review will normally occur at five year intervals. Earlier evaluations may occur for certain

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.N.2.d Service Life of Boats

(Continued)

boats due to design, service, or other considerations.

2. In the absence of an ORD or SSMEB, Commandant (CG-45) analysis dictates the initial service lives as follows:

Assignment	Fiberglass Hull	Aluminum Hull
Cutter Boats	5 Years	10 Years
Shore Based Boats	8 Years	12 Years

3. Changes in service lives resulting from improvements shall be determined by Commandant G-SEN and reported to Commandant CG-842 at the time the boat improvement is completed.

Service Life of Boats (in years) FG = fiberglass; AL = Aluminum or similar metal						
BOAT CLASS	SSMEB	SHORE BOATS (FG)	SHORE BOATS (AL)	CUTTER BOATS (FG)	CUTTER BOATS (AL)	EFF DT
ANB 55	20					MAY-04
ANB 64			30			MAY-04
ANB (382001)			12			MAY-04
BUSL	25					MAY-04
TANB (SHORE)			12			MAY-04
ASB					10	MAY-04
CB-L				5	10	MAY-04
CB-M				5	10	MAY-04
CB-S				5		MAY-04
CB (OTHER)				5		MAY-04
LCVP					10	MAY-04
MSB	20					MAY-04
MLB	25					MAY-04
SPC (HWX)			12			MAY-04
RB-(S)(HS)			12			MAY-04
SPC (SW)			12			MAY-04
PWB		8	12			MAY-04
SKF			12			MAY-04
SPC (234448)		8				MAY-04
SPC (LE)		8	12			MAY-04
SPC (SURF)		8				MAY-04
TPSB	10					MAY-04
UTL		8	12	5	10	MAY-04
UTM		8	12			MAY-04

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.N.2.e Service Life of Electronics, Software, and Other Property

The useful lives of electronics, software, and all other personal property categories are as follows:

Category	Service Life	Effective Date
Electronics	8 years	Oct-1995
Internal Use Software	3 years	Oct-1995
All Others	5 years	Oct-1995

9.N.3 Capital and Operating Leases

A lease is a contract granting use of real or personal property during a specified period in exchange for rent. Leases are classified as either capital or operating.

If real or personal property is leased between two Federal agencies, the program office shall sign a Memorandum of Agreement (MOA) with the other agency and determine if a lease-type arrangement actually exists.

9.N.3.a Capital and Operating Leases – Identifying Criteria

Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. If, at its inception, a lease meets one or more of the following four criteria, the lease shall be classified as a capital lease. Otherwise, it shall be classified as an operating lease (per SFFAS #6, Accounting for Property, Plant and Equipment, para 20). This criterion applies to leases for both real and personal property. For budgetary purposes, OMB A-11 provides additional criteria to determine if a lease is operating or capital. These additional criteria do not apply to Financial Statement reporting.

1. The lease transfers ownership of the property to the lessee by the end of the lease term;
2. The lease contains an option to purchase the leased property at a bargain price;
3. The term of the lease is equal to or greater than 75 percent of the estimated economic life of the leased property; or
4. The present value of rental and other minimum lease payments, excluding that portion of payments representing executory cost (such as insurance, maintenance, and taxes incurred for leased property), equals or exceeds 90% of the fair market value of the leased property at the beginning of the base term.

The last two criteria are not applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.N.3.a Capital and Operating Leases – Identifying Criteria (Continued)

Each program office or operating unit with any leases must evaluate each lease against the above criteria and within 30 days of requesting funding or signing the lease, whichever is earlier, make a determination as to whether it is an operating lease or a capital lease.

Documentation to support the determination must be maintained in accordance with Coast Guard Paperwork Management Manual, COMDTINST M5212.12 (series) and the December 1998 General Records Schedule.

For capital leases, a copy of the lease and all supporting documents and analyses shall be sent to the FINCEN within 60 days of requesting funding or signing the lease, whichever is earlier. The FINCEN shall make final determination as to whether a lease is capital or not.

9.N.3.b Capital and Operating Leases – Accounting

The FINCEN shall record the capital lease in the CG's fixed asset accounting system. The FINCEN shall value and amortize the capital lease IAW FASAB policy including the discount rate to be used and the allocation of the payment between the obligation and interest expense as provided in SFFAS No 5 and 6. The CG will amortize the capital lease of assets, other than land, over the shorter of the useful life of the asset or the lease term.

An operating lease is any lease that is not a capital lease.

Program offices shall expense all operating leases except for those involving CIP.

Leaseholds are rights to the use of land, buildings, or other property. Leasehold improvements are improvements to either capital or operating leases made by the lessee.

Leasehold improvements that meet the CG's capitalization criteria for the same type of asset shall be capitalized. Leasehold improvements paid in advance shall be classified as capital expenditures. Leaseholds and leasehold improvements shall be amortized over the life of the lease or over the estimated useful life of the improvement, whichever is shorter. Leasehold improvements that do not meet the capitalization criteria shall be expensed.

Documentation to support the cost of the leasehold improvement shall be maintained in accordance with Coast Guard Paperwork Management Manual, COMDTINST M5212.12 (series) and the December 1998 General Records Schedule. HQ Directorates and operating units shall

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.N.3.b Capital and Operating Leases – Accounting (Continued)

provide documentation to support the total cost and terms of capital leases to the FINCEN. This supporting documentation must include contracts, invoices and terms of the lease.

The FINCEN shall record the value of the leasehold improvement in the CG's fixed asset accounting system. The FINCEN shall value the leasehold improvement IAW FRMM policy. The FINCEN shall amortize all capital leases over the shorter of the useful life of the improvement or the lease term.

The FINCEN shall report the value of leasehold improvements in the CG's financial statements in accordance with GAAP.

The use of leases to assist in the construction and assembly of CIP assets is a common occurrence. These leases can be either operating or capital based on the criterion addressed above.

Operating leases used for CIP projects shall be charged to the correct CIP project and capitalized as part of the end product value.

The cost of operating leases for equipment used for several projects or non construction projects should be prorated so that only that portion applicable to a CIP project is charged to that project. These leases may involve assets used completely in the construction or only partially used in construction.

Capital leases paid for within a CIP project are for leases that meet the capital lease criteria addressed above and shall be capitalized as separately identified assets and will not be included as a part of the capitalized cost of the CIP assets.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

9.O Asset Identification

1. Asset identification provides for better tracking and control.
2. FINCEN (FR) shall ensure that all assets are entered into the designated fixed asset system using the following structure:

Category	Serial No. Field	Tag No. Field
Land	Installation No.	OPFAC; Site No; RPFN
Buildings	Installation No.	OPFAC; Site No; RPFN
Structures	Installation No.	OPFAC; Site No; RPFN
Aircraft	Airframe No.	Tail No.
Vessels	Hull No.	Hull No.
Boats	HIN No.	Hull No.
Electronics Systems	N/A	System Generated No.
Electronics Equipment	Serial No.	System Generated No.
Software	N/A	System Generated No.
Vehicles	VIN No.	License Plate No.
General Purpose	Serial No.	System Generated No.

9.P AC&I Project Closeout

1. This phase begins upon delivery and acceptance of the last asset to be delivered.
2. Within 15 days of delivery:
 - a) The HQ Program Manager shall identify the actual “in service” date in accordance with the FRMM.
 - b) For “full and complete” assets, the HQ Program Manager shall develop the PMDS package for the asset.
 - c) For “less than full and complete” assets:
 - 1) The HQ Program Manager will analyze the asset to insure incremental delivery is/is not possible.
 - 2) The HQ Program Manager will repeat this analysis monthly until the asset is fully accepted.
3. Prepare PMDS documentation (follow the PMDS Preparation Process for details);
 - a) The HQ Program Manager shall utilize “third party” documents as basis of valuation.

9.P
AC&I Project
Closeout
(Continued)

- b) If “third party” documentation cannot be acquired, the HQ Program Manager will contact CG-842 for guidance.
 - 1) CG-842 shall review available documentation on valuation and select the appropriate source and forward its decision to the HQ Program Manager.
 - c) The HQ Program Manager shall forward to FINCEN the completed PMDS package.
 - d) CG-842 will review and approve the package.
 - e) FINCEN shall receive concurrence with PMDS from CG-842.
 - f) FINCEN shall relieve CIP expenditures in project/program elements as identified in PMDS.
 - g) The HQ Program Manager shall review the FINCEN transaction to verify correct movement of funds.
 - h) FINCEN shall provide the HQ Program Manager with a copy of the PMDS showing application of indirect costs.
4. Within 5 days of receipt of PMDS package:
- a) FINCEN shall record the asset value after review and acceptance of PMDS by CG-842.
 - b) The HQ Program Manager shall ensure that assets are recorded in designated fixed asset system.
5. The HQ Program Manager shall conduct a variance review of the rates, estimates, and ending balances in all program-related accounts.
- a) Accrue these remaining costs to the asset to be capitalized only when the value to be capitalized is greater than that available in CIP.
 - b) Apply the remaining indirect balances to all assets delivered within the fiscal year of the delivery of the last asset.
6. The HQ Program Manager shall continue to review the remaining account balances until UDOs and commitments have expired or been revised and no outstanding transactions are expected.
7. FINCEN shall close and terminate project/program numbers upon satisfactory notification of no outstanding liabilities from all interested parties.

9.Q CIP Policy Review and Update

1. The HQ Program manager, APM's, and FINCEN-FR shall notify CG-842 of any policy/procedural changes on an as-identified basis.
2. CG-842 shall review those prospective changes and in conjunction with FINCEN-FR and APM's, make policy/procedural updates on an as-needed basis.
3. Interim changes to policy will be promulgated by CG-84 memo until updates are incorporated into the FRMM.

GLOSSARY OF TERMS

Glossary

Accreditation

The official authorization that is granted to an AIS facility to process classified or sensitive information in its operational environment. Accreditation is based on the determination the AIS is operating at an acceptable level of risk, after a comprehensive security evaluation and consideration of other management factors (e.g., criticality of operations, cost to implement controls, impact on operations, planned changes in AIS operations).

Accrual Basis of Accounting

A method of accounting in which revenues are recognized in the period earned and costs are recognized in the period incurred, regardless of when payment is received or made.

Acquisition

Acquisition of property means obtaining possession and administrative control of property by purchase, lease, donation, transfer from another federal agency, forfeiture, or loan for a period of 60 or more consecutive days.

The FAR defines Acquisition as the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the federal government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when an agency needs are established and includes the description of requirements to satisfy agency needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract.

Acquisition Cost

Cost to the government of putting property into use at the time the property is originally acquired. It includes all costs incurred to bring the property to a form and location suitable for its intended use. This cost includes amounts paid to vendors, all transportation charges to the point of initial use, handling and storage costs, installation costs, etc., but excludes training costs and warranty costs.

Acquisition Project Manager (“APM”)

Manager responsible for documenting status of ACI projects and assets procured on the Project Management Data Sheet (PMDS) form.